

Unexplained Side of the FAFSA: Credits, Inclusions and Exclusions

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Before the Taxpayer Relief Act of 1997

- ★ Qualified Scholarships
- ★ Exclusion for Series EE US Savings Bonds
- ★ Deduction for Education Expenses
- ★ Income Exclusion for Employer-provided Assistance
- ★ Student Loan Forgiveness
- ★ Qualified State Tuition Programs

Policy Development

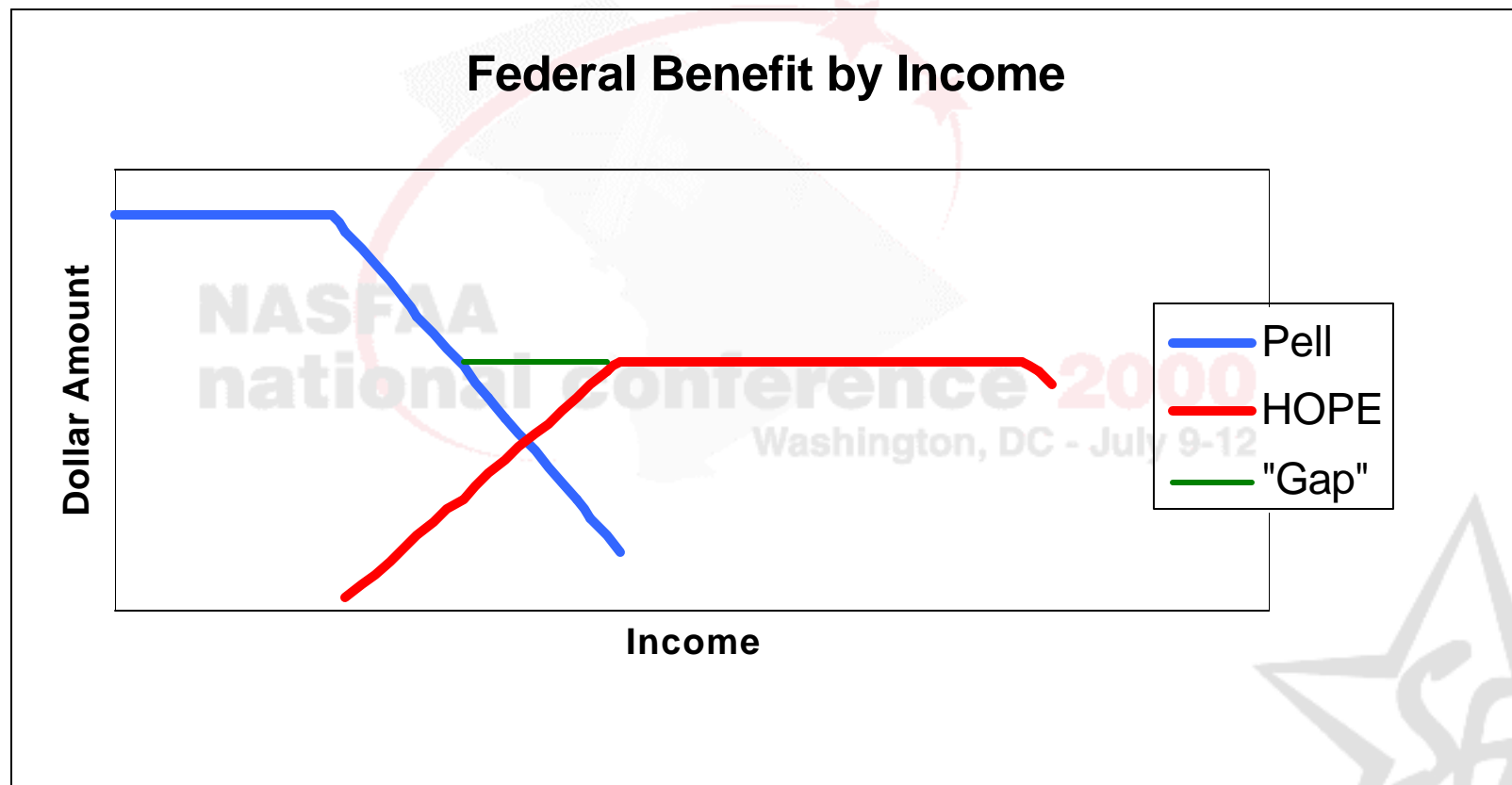
★ HOPE Scholarship

- \$1,500 Refundable Tax Credit
- Enrolled at Least Half-time
- First Two Years of College
- Remain Drug-free
- Maintain a “B” Average

★ Tax Deduction

- First \$5,000 of Expenses (\$10,000 in 2003)
- Any Postsecondary Education or Training

Policy Development



Policy Development

★ HOPE Scholarship

- \$1,500 Tax Credit for Educational Expenses
(100% of First \$1,000, 50% of Second \$1,000)

★ Lifetime Learning Tax Credit

- 20% of the First \$5,000 (\$10,000 in 2003)

★ Pell Grants

- Increase Maximum Award by \$300
- Expand Eligibility for Independent Students

Real Life

- ★ Tax Credit Beneficiaries Are “Held Harmless”
 - Federal Need Analysis Excludes Amount(s) From the Calculation of “Total Income”
 - Excluded as a Resource/Estimated Financial Assistance
 - Amount(s) Excluded From “Untaxed Income and Benefits”
 - Reported on FAFSA “Worksheet B”

Other Tax-related Issues In Need Analysis

- ★ Education IRA
- ★ Qualified State Tuition Programs
 - Prepaid Tuition
 - State-sponsored Tuition Savings
- ★ Roth IRA
 - Conversion From a “Traditional” IRA
 - Consequences for Federal Need Analysis

